

Message Text

PAGE 01 TEHRAN 06277 041527Z

61

ACTION NEA-12

INFO OCT-01 AF-10 EUR-25 EA-11 ISO-00 CIAE-00 DODE-00

PM-07 H-03 INR-10 L-03 NSAE-00 NSC-10 PA-03 RSC-01

PRS-01 SS-15 USIA-15 SCEM-02 EB-11 COME-00 CIEP-02

OMB-01 TRSE-00 INT-08 XMB-07 STR-08 RSR-01 /167 W

----- 000778

R 041330Z SEP 73

FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC 3713

INFO AMEMBASSY ABU DHABI

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY DHAHRAN

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY TOKYO

AMEMBASSY TRIPOLI

AMEMBASSY VIENNA

C O N F I D E N T I A L TEHRAN 6277

E.O. 11652: GDS

TAGS: ENRG IR

SUBJECT: OIL - NIOC POLICY AND COMMITMENTS FOR CRUDE SALES

REF: A) TEHRAN 3029 B) TEHRAN 5387 C) TEHRAN 5491 D) TEHRAN 5685

E) TEHRAN 6169 F) TEHRAN 6189

1. SUMMARY: RECENT ARTICLES IN TEHRAN PRESS HAVE CLAIMED ALL NIOC AVAILABLE CRUDE FOR 1973 IS SOLD, AND HALF OF 1974 AVAILABILITIES COMMITTED. SAME ARTICLES HAVE PUSHED IDEA OF BARTER OF OIL FOR OTHER SCARCE COMMODITIES AS MEANS OF SHIELDING IRAN FROM WORLD-WIDE INFLATION. RE-EXAMINATION OF NIOC AVAILABILITIES LEADS US TO THINK NIOC WILL HAVE FAIRLY LARGE QUANTITIES OF UNCOMMITTED SHORT
CONFIDENTIAL

PAGE 02 TEHRAN 06277 041527Z

TERM CRUDE AVAILABLE FOR SALE OR BARTER, AT LEAST THROUGH 1976 AND POSSIBLY THROUGH 1977-78, THOUGH WE DOUBT BARTER WILL BECOME A SIGNIFICANT POLICY ALTERNATIVE. AFTER 1977 OR 1978, HOWEVER, NIOC EXPECTS HAVE ALL OIL COMMITTED TO VENTURES IN WHICH NIOC

PARTICIPANT. END SUMMARY.

2. KAYHAN INTERNATIONAL AND TEHRAN JOURNAL AUG. 21 CARRIED ARTICLES REPORTING NIOC HAS SOLD ALL CRUDE AVAILABLE TO IT IN 1973, NAMELY ABOUT 7.7 MILLION TONS FROM CONSORTIUM AREA AND ABOUT 12 MILLION TONS FROM JOINT VENTURES. ARTICLES ALSO CLAIMED HALF OF 1974 NIOC CRUDE COMMITTED: 1.25 MILLION TONS TO MADRAS REFINERY, 2 MILLION TO SOUTH AFRICA REFINERY, 2.5 MILLION TO ROMANIA, 0.5 TO 1.0 MILLION EACH TO BULGARIA AND YUGOSLAVIA, AND 300,000 TO POLAND. ARTICLES MENTIONED POSSIBLE BARTER DEAL WITH BRAZIL AND CLAIM NIOC SALES PRIORITIES BEING RECONSIDERED IN VIEW OF SHORTAGES OF MANY COMMODITIES, WITH EYE TO GIVING MORE EMPHASIS TO BARTER. AUG. 21 KAYHAN ALSO CARRIED EDITORIAL ARGUING THAT OIL POSSIBLY VITAL TOOL FOR DEALING WITH IMPORTED INFLATION BY BARTERING IT FOR COMMODITIES. AUG. 22 TEHRAN JOURNAL CARRIED COLUMN BY KHOSROW FOROUGHI ON THE SAME BARTER THEMES. FOROUGHI, WHILE NOTING THAT NIOC FIRST PRIORITIES ARE EXPORT REFINERIES IN IRAN AND DOWNSTREAM JOINT VENTURES, SAYS GOI MAY ADOPT BARTER AS SHORT TERM INTERIM POLICY, WHICH COULD BECOME THIRD PRIORITY AND GROW IN IMPORTANCE IF WORLD COMMODITY SHORTAGES PERSIST.

2. WE BELIEVE NEITHER AVAILABILITY PICTURE NOR NIOC POLICY HAS MATERIALLY CHANGED FROM WHAT WAS REPORTED IN REFS A AND C, WITH ONE EXCEPTION: FIRST TWO PRIORITIES REVERSED, WITH JOINT VENTURE EXPORT REFINERIES IN FIRST PLACE AND DOWNSTREAM JOINT VENTURES IN SECOND. NIOC SOURCES REPORT DR. FALLAH WAS ANGERED BY ABOVE-MENTIONED NEWSPAPER ARTICLES, FEELING THEY DISTORTED BOTH SALES SITUATION AND POLICY. SAME SOURCES DENY THAT HALF OF 1974 CRUDE AVAILABLES HAVE BEEN COMMITTED AND DISMISS IDEA OF BARTER AS SIGNIFICANT POLICY ALTERNATIVE. BARTER IDEA ARISES FROM CONCERN IN VARIOUS CIRCLES ABOUT HIGH COST OF COMMODITY IMPORTS TO BE EXPECTED IN COMING YEAR. WE BELIEVE THIS CONCERN (REF F) WILL MANIFEST ITSELF IN DETERMINED PUSH FOR OIL PRICE INCREASES AT AND AFTER SEPT. 15 OPEC MEETING, RATHER THAN IN BARTER OF SIGNIFICANT QUANTITIES OF OIL.

4. FIGURES MENTIONED IN NEWSPAPER ARTICLES (PARA 2) ARE IN OUR CONFIDENTIAL

PAGE 03 TEHRAN 06277 041527Z

OPINION ESSENTIALLY ACCURATE.

THEY EQUAL ABOUT 141,000 - 161,000 B/D, WHICH WHEN ADDED TO THE 100,000 B/D THAT ASHLAND BEGIN RECEIVING AT THE BEGINNING OF 1974, APPROXIMATES ONE-HALF OF THE 525,000 B/D NIOC SHOULD HAVE IN 1974. AS FAR AS WAUCAN DETERMINE, NONE OF THE REMAINING 1974 CRUDE HAS YET BEEN COMMITTED BY NIOC.

5. CRUDE AVAILABLE TO NIOC SHOULD APPROXIMATE THE FOLLOWING:

1975 725,000 B/D
1976 900,000 B/D
1977 1,100,000 B/D

LOUI 1,300,000 B/D
1979 1,550,000 B/D
1980 1,750,000 B/D
1981 1,950,000 B/D

(THESE FIGURES ARE GUESSTIMATES BASED ON THE NEW AGREEMENT WITH THE CONSORTIUM AND PLANNED EXPANSION BY IPAC AND SIRIP. THEY ALLOW FOR SOME LAG IN SCHEDULED PLANS, AND SHOULD BE ON THE CONSERVATIVE SIDE.)

6. NIOC HOPES THAT CONSTRUCTION OF THREE 500,000 B/D EXPORT REFINERIES (REFS D AND E) WILL HAVE BEGUN BY EARLY 1974 AND THAT THEY WILL BEGIN COMING ON STREAM DURING 1977. (NOTE: APCO, CROWN CENTRAL CITGO AND CLARK, TOGETHER WITH COMMONWEALTH OIL, HAVE SIGNED LETTER OF INTENT WITH NIOC TO PARTICIPATE IN EXPORT REFINERY, NOT RPT NOT ASHLAND-TYPE JOINT VENTURES AS REPORTED REF B. OUR LATEST WORD FROM NIOC ON PLANNED JOINT VENTURES IS THAT THE TEXAS EASTERN PROJECT IS DEAD, THE GREEK REFINERY IS PROBABLY DEAD, AND THE LIEGE REFINERY IS DOUBTDL (REF A -- HOLD LATTER TWO POINTS CLOSELY). EASTERN EUROPEAN COMMITMENTS ARE ALL EITHER YEAR-TO-YEAR OR FOR A VERY FEW YEARS. THEIR CONTINUATION AFTER 1977 OR 1978 WILL PROBABLY HING ON A BALANCE OF POLITICAL CONSIDERATIONS AND NIOC'S INTEREST IN COMMITTING CRUDE TO MORE ATTRACTIVE PROJECTS. NIOC IS ALSO DISCUSSING PARTICIPATION IN A SMALL REFINERY (TO BE BUILT) WITH A PHILLIPPINE GROUP.

7. THUS EXISTING COMMITMENTS THAT APPEAR REASONABLY FIRM THROUGH
CONFIDENTIAL

PAGE 04 TEHRAN 06277 041527Z

1981 INCLUDE ONLY MADRAS, SOUTH AFRICA, ASHLAND AND THE THREE EXPORT REFINERIES IN IRAN. IF THE FIRST THREE EXPAND AND THE THREE EXPORT

REFINERIES APPROACH ULTIMATE CAPACITY BEFORE 1980, NIOC COULD FIND ITSELF SLIGHTLY OVER-COMMITTED FOR 1978-79. MORE PROBABLY, THE REFINERIES WOULD COME ONSTREAM IN STAGES, NOT REACHING FULL CAPACITY BEFORE 1980. GIVEN THE ABOVE PICTURE, WE DOUBT NIOC CAN ENTER SIGNIFICANT NEW LONG-TERM ARRANGEMENTS UNTIL EARLY 1974 (IF AT ALL) BY WHICH TIME IT IS HOPED THE REFINERY CONSTRUCTION SCHEDULES WILL HAVE BECOME CLEAR.

8. ANOTHER QUESTION, GIVEN NIOC'S INTEREST IN BECOMING AN INTERNATIONAL OIL COMPANY, IS WHETHER AFTER A FEW YEARS OF EXPLORING POSSIBILITIES OF ATTRACTIVE JOINT VENTURES, NIOC MAY DECIDE THAT IT NEEDS MORE OIL THAN IS SPECIFIED IN ITS NEW AGREEMENT WITH THE CONSORTIUM.

9. IN THE SHORT TERM, HOWEVER, PRESENT COMMITMENTS ACCOUNT FOR ONLY ABOUT ONE-HALF NIOC 1974 AVAILABILITY, ONE-THIRD OF 1975 AVAILABILITIES, AND TWO-SEVENTHS OF 1976 AVAILABILITIES. THUS NIOC WILL HAVE GROWING QUANTITIES OF OIL TO MARKET ON A SHORT TERM BASIS.
HELMS

CONFIDENTIAL

<< END OF DOCUMENT >>

Message Attributes

Automatic Decaptioning: X
Capture Date: 10 MAY 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM, AGREEMENTS, EXPORTS, PETROLEUM PRODUCTION, PRESS COMMENTS, PETROLEUM REFINING
Control Number: n/a
Copy: SINGLE
Draft Date: 04 SEP 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: garlanwa
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973TEHRAN06277
Document Source: ADS
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: 11652 GDS
Errors: n/a
Film Number: n/a
From: TEHRAN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730964/abqcekmn.tel
Line Count: 163
Locator: TEXT ON-LINE
Office: ACTION NEA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: A) TEHRAN 3029 B) TEHRAN 5387 C) TEHRAN 5491 D) TEHRAN 5685 E) TEHRAN 6169 F) TEHRAN 6189
Review Action: RELEASED, APPROVED
Review Authority: garlanwa
Review Comment: n/a
Review Content Flags:
Review Date: 16 JUL 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <16-Jul-2001 by kellew0>; APPROVED <17-Sep-2001 by garlanwa>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: OIL - NIOC POLICY AND COMMITMENTS FOR CRUDE SALES
TAGS: ENRG, IR, NATIONAL IRANIAN OIL COMPANY, NIOC
To: STATE INFO ABU DHABI
BONN
BRUSSELS
DHAHRAN
JIDDA
KUWAIT
LONDON

PARIS
TOKYO
TRIPOLI
VIENNA

Type: TE

Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005